



STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
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June 14, 2001

The Honorable Douglas Henry, Chairman  
Senate Finance, Ways and Means Committee  
11 Legislative Plaza  
Nashville, Tennessee 37219

And

The Honorable Matthew Kisber, Chairman  
House Finance, Ways and Means Committee  
33 Legislative Plaza  
Nashville, Tennessee 37219

Dear Chairmen:

As you know, each year the State Funding Board, pursuant to Section 9-4-5202, Tennessee Code Annotated, secures a report of the estimated growth rate of the State's economy for the coming year from The University of Tennessee's Center for Business and Economic Research. A copy of this report dated January 2001 is attached. This estimate is based on the projection of growth of personal income contained within the broader economic forecast derived from the Tennessee Econometric Model. The Model's forecast from which the 2001 growth rate is derived was produced in December 2000. A detailed discussion of the forecast is provided in the Economic Report to the Governor, January 2001.

The statute directs the Board to determine the reasonableness of the estimated growth rate. In order to reach a conclusion as to reasonableness, the Board met on May 7, 2001, to discuss the estimate and the economic forecast from which it was derived. The Board was assisted in this effort by a staff paper dated April, 2001, prepared by Dr. Daniel Cohen-Vogel, Staff Economist, Division of Research and Education Accountability, Office of the Comptroller of the Treasury. This analysis, attached for your information, sought to explore the economic and federal budgetary assumptions underlying the Center's authoritative economic projection sources. The meeting was also attended by Dr. William Fox of the Center, who presented the forecast in the Economic Report for the U.S. and Tennessee economies.

After carefully reviewing the report and staff paper and discussing the forecast with Dr. Fox, the Board has directed me to convey to you our determination. When the report was prepared, an estimate of reasonable growth rate in Tennessee nominal personal income was determined to be 5.45%. However, declines in growth over the intervening months cause the Board to believe that a more reasonable growth rate would be 4.45%.

Also enclosed is a list of state tax and non-tax revenue sources as approved by the State Attorney General.

Sincerely,

John G. Morgan, Secretary  
Tennessee State Funding Board

Enclosures: As stated  
JGM:ej